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**COMMON EQUITY
RENTAL
HOUSING CO-OPERATIVES**

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Contributors: Thanks to CERC Groups, subcommittee members (inc. SHELTER/ CHAS reps), CERC unit staff, Resourcing Co-Op Staff, Ministry of Housing staff who kindly offered suggestions & constructive criticism.

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Common Equity Rental Housing Co-operatives

ALL YOUR QUESTIONS ANSWERED





Co-op members and workers attend a CERC workshop in 1985.

Comments from:

SHELTER, Victoria

SHELTER, Victoria, is an umbrella organisation for community housing groups. It was established in 1974 to act as a resource and co-ordinating base for groups and individuals active in community housing issues.

SHELTER has long campaigned for an expansion of the non-profit rental housing sector.

As co-auspice body with the Rental Housing Co-operative Advice Service for this programme, we see Common Equity Rental Housing Co-operatives as a way of helping to establish a strong rental housing co-operative sector within the public rental housing sector. One of the most attractive features of the programme is the degree of tenant choice and control over their own housing.

Rental Housing Co-operative Advice Service (CHAS for short)

CHAS is a community based co-operative incorporated in 1981, made up of members committed to tenant controlled non-profit rental housing.

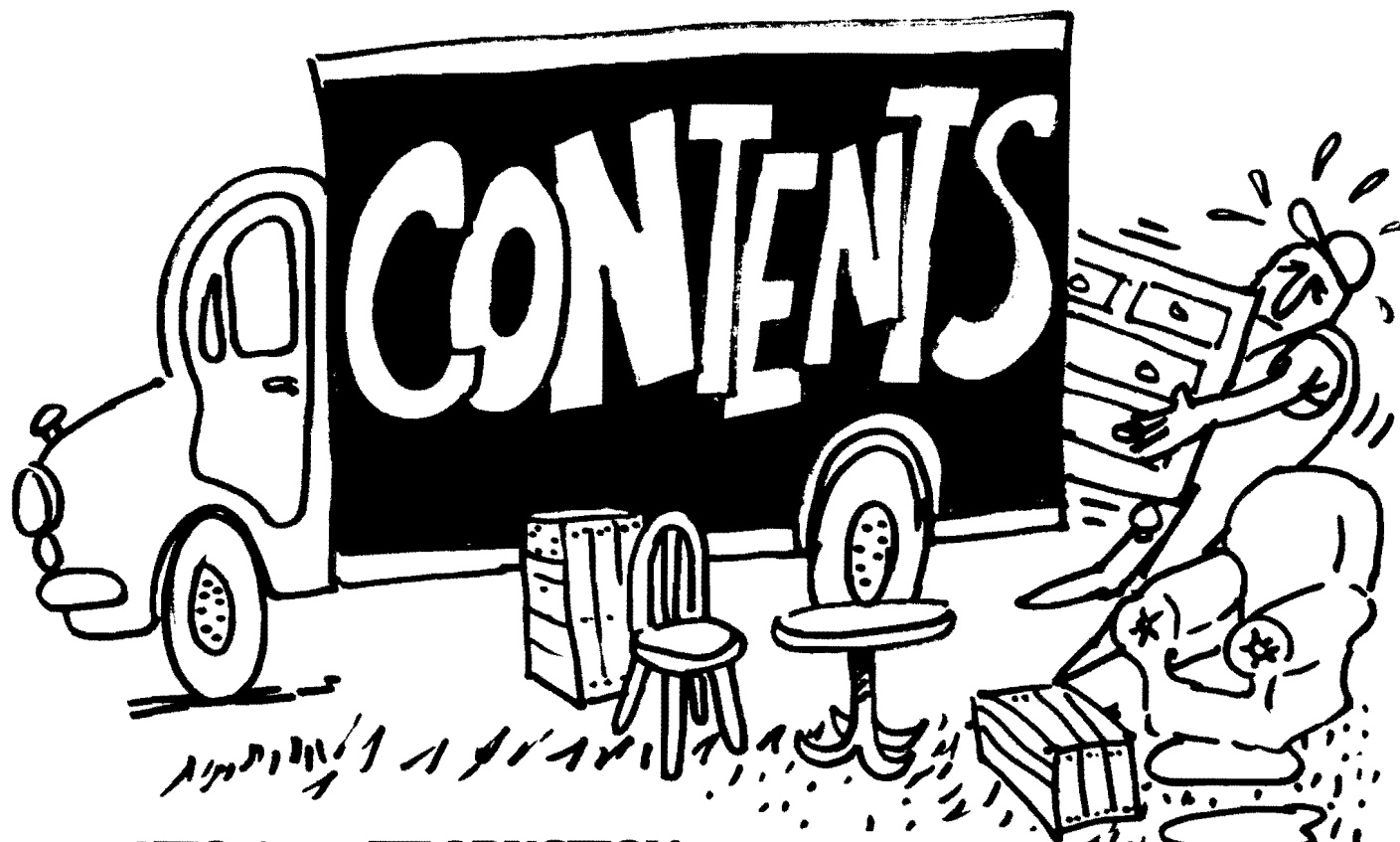
CHAS promotes the development of a wide co-operative rental housing sector; the education of the community on all aspects of rental housing co-operatives, and the provision of resources to rental housing co-operatives.

We became co-auspice for this programme with SHELTER, Victoria, because of the expertise we had to offer and because we saw it as a way of strengthening the rental housing co-operative sector.

We welcome the Common Equity Rental Housing Programme as an addition to the rental housing co-operative sector in Victoria.

Abbreviations

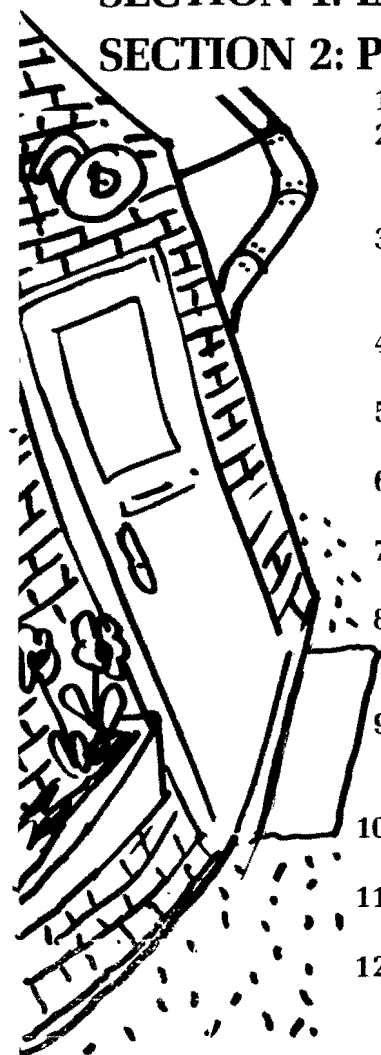
- Common Equity Rental Housing Co-operatives are often referred to as CERCs, or simply as co-ops.
- The full name of the current policy-making body for the CERC programme is: the Community Sector Sub-Committee of the Federal Local Government and Community Housing Programme in Victoria. Within the programme this body is also referred to as the Sub-Committee.
- The Company means the Common Equity Housing Finance Company.
- The programme means the Common Equity Rental Housing Co-operative programme.



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Tenant control

The CERC programme is an exciting new concept in buying and managing public rental housing in Victoria. In many ways it is a unique housing programme in Australia.

Under this scheme small community housing groups form themselves into housing co-operatives. They are then funded to buy houses and flats for their members. The co-op members manage their own housing through their co-op. For example, they choose the dwelling that is bought for them, help with its purchase, organise their own house maintenance after they move in, have their own bank accounts, keep their own financial records and make decisions on how to run their co-op.

The CERC programme is very new. It is now only in its second year. There have been, however, rental housing co-ops in Victoria since the late 1970s, beginning with the establishment of the Fitzroy/Collingwood Rental Housing Association in 1977. It has been the enthusiasm and experience of the people involved in these co-ops that has led to the development of the CERC programme.

Housing a right

The development of the CERC programme is based on two strongly held beliefs. Firstly, that housing is a right and should not be a commodity that is bought and sold in the market place, and secondly, that there should be a large co-operatively managed public rental housing sector in Victoria.

Overseas co-ops

Although co-operative ownership of housing is quite rare in Australia, this is not the case in a large number of overseas countries. In Denmark, for example, over 60 percent of housing is owned co-operatively. The CERC programme itself is based on a very successful housing co-operative programme in Canada. In this scheme over 30,000 dwellings have been bought since 1978. We believe that CERCs can be as successful as housing co-ops in Canada.

CHAS/SHELTER

The details of the CERC programme have been developed by the community housing sector in Victoria. Two community organisations have been

mainly responsible for its development: SHELTER, Victoria, which represents housing consumer groups in Victoria, and the Rental Housing Co-operative Advice Service (CHAS for short). We also wish to acknowledge the assistance received from officers of the Ministry of Housing.

The community housing sector in Victoria has developed this programme. Instead of our responding to a Government initiative, it has been the Government that has been reacting to our proposals.

Programme guidelines

The final details of the programme (called the programme guidelines) are a compromise between what we as the community housing sector wanted, and the conditions attached to funding through the Victorian Ministry of Housing. We believe, for example, that public tenants generally should be getting a better rental rebate than is provided in this programme and we will continue to fight for a better rebate formula for all public tenants. The conditions under which we have had to borrow private finance, at a time when interest rates have been escalating, has also placed a number of restrictions on us.

Self-management

In this programme we have taken the important step of taking on the responsibility for managing it ourselves. This has included the task of interviewing potential CERCs and recommending to the Minister which ones should be funded. This has been a difficult task. However, we believe that if we are demanding that we run our own programmes, then we also have to make the hard decisions of who should be funded.

Value for money

CERCs give the community and the Government very good value for money. This is for two main reasons. Firstly, because houses are bought using a combination of both Government money and money borrowed from financial institutions, we will be able to purchase more public housing with the Government dollar. Secondly, by making the Government grant into a loan repayable to the programme, rent money from CERCs will still be coming in when private loan monies have been paid off. These funds will be used to purchase more housing for the programme and will help it to expand the programme more rapidly. Compare this to Government grants to home owners where the money is never paid back, and the value to the public of this programme becomes obvious.



Choice

Consultation

CERCs are not part of a welfare programme. This programme is open to everyone. Middle and high income earners can become CERC members and housed by their co-op. At the same time CERC members who are on a low income will receive the same rental rebate as Ministry of Housing tenants. This achieves two things. Firstly, it means that persons on low incomes are protected against high rents. Secondly, it means that scarce Government money is used for those most in need.

Co-op members on higher incomes will pay the full cost of their own housing. They will pay a cost rent which will cover the cost of repaying private loans used to help buy co-op housing; the cost of repaying the original Government money, the cost of maintaining their houses up to a good standard and the cost of running the co-op. In the long term they will be receiving no Government subsidies even though this programme is being started with Government assistance.

Because CERC members choose their own housing, they get the kind of housing they want in the area they want to live. Nobody has to live in a flat when they want to live in a house. Nobody has to live in an outer suburb of Melbourne when they want to live in an inner suburb. All housing will be in good condition as no housing will be bought unless it can be brought up to the minimum standards set by the programme. No co-op member will have to move into their accommodation until it has been brought up to that standard. Money is being set aside for both day to day house maintenance, and for the major long term maintenance jobs such as repainting a house or restumping. This will mean that all the co-op's dwellings will be able to be maintained at a high standard. Because co-op members organise their own maintenance they will be able to make sure that it is done well and quickly.

The CERC programme has been carefully set up so that it will grow and develop. This has been done in two main ways. Firstly, by carefully developing the rules of the programme. There has been extensive consultation within the community housing field and with potential CERC members over what are fair and workable guidelines for the programme. There have also been numerous meetings and consultations with experts in their field over the many technical problems of running a programme

Home ownership/private rental



Public interest

like this one. Secondly, by setting up a company to raise money for the programme we do not rely totally on Government loans. Many good programmes in the past no longer exist because they relied too heavily on Government funding.

This exciting new programme comes at a time where the housing situation of a large number of Australians is desperate. The traditional forms of housing in Australia of home ownership and private rental are no longer delivering the goods. Home ownership has become too expensive even with the massive Government subsidies it receives. At the same time, the waiting queues for public rental housing increase every day even though some of their older housing is sub-standard and of the wrong type (flats rather than houses for family accommodation).

CERCs aren't going to solve this housing crisis. But they are an important step in developing a consumer controlled alternative which is desperately needed.

The high level of public interest in the programme has already been demonstrated with eleven groups applying for funding in the first round. Some twenty groups have already indicated an interest in applying for funding within the next 12 months to two years.

CERCs allow for public and private investment in low cost rental housing which has a measure of independence from the political uncertainties of programmes that are funded for three years or less. It is a well thought through initiative in the housing field. We are looking for the support from all sections of the community in this new venture.





(1) What are CERCs?

CERCs are small community housing groups organised as co-operatives that are funded to buy houses or flats for their members. The co-ops then manage their own housing: choose which houses they want to buy, organise house maintenance work, keep financial records, and make decisions on how to run their co-op.

CERCs will usually have between seven and twenty members.

(2) What are the Advantages of Living in a CERC Dwelling?

CERC members will:

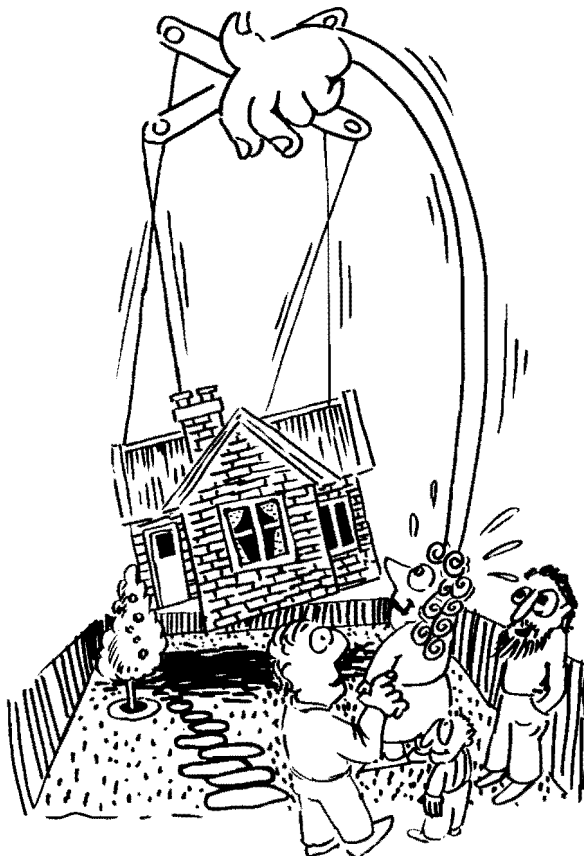
- get to choose their own housing in the area they want to live;
- have their dwelling renovated to a good standard before they move in;
- have sufficient funds to maintain their houses at a high standard;
- pay a rent they can afford and have protection against rent increases;
- have guaranteed security of tenure — it is your house for life;
- have control over their own housing and what happens to it;
- be part of a supportive community which makes for a better way of living.

(3) How is the Programme Managed and Who Controls it?

There are four different organisations within the CERC programme. They have been set up so that it is the consumer (the CERC members) who can control what goes on. These organisations are described below.

a) First and most important are the CERCs themselves. CERCs manage their own internal affairs, but can request outside assistance if they need it.

b) Secondly, there are the resourcing co-operatives. So far there is only one, but more will be set up in the future as the programme gets bigger. A



Company



resourcing co-op is made up of specialists who provide expert advice and assistance to CERCs in buying and managing their housing. A resourcing co-op will usually employ people such as architects, accountants, administrators, and persons with community development skills.

Once CERCs are funded they will become members of the resourcing co-op that they use. Co-op members will make up the majority of membership and will therefore be able to direct the employed staff of their resourcing co-op.

c) Thirdly, there is the Common Equity Housing Finance Company. The main tasks of this company will be to buy properties and lease these to the funded CERCs, to raise money so that more CERCs can be funded, and to arrange for any loans to be paid off (using rental payments received from CERCs).

CERCs will be the only shareholders in this non-profit finance company and will therefore have a direct control over its operations.

d) Fourthly, there is the policy making body for the whole programme and its employees. To date this body has been the Community Sector Sub-Committee of the Local Government and Community Housing Programme in Victoria, and it has been responsible for the development of the programme. All funded CERCs will have a voting representative on this body, and eventually it will be an association of CERCs which will take over this responsibility.

The policy making body also appoints five of the nine directors on the finance company, including the managing director.

(4) Where does the Money come from?

So far the money is coming from three places. We expect that after the programme develops we will also fund from community sources, such as trade unions, churches, etc.

Sources of present funding are:

a) From the Federal Government through the Local Government and Community Housing Programme as follows:

Rent

1984/85: \$228,887 (already received and spent)
 1985/86: \$1.331m (applied for but not yet received)
 1986/87: \$1.331m (will be applied for in the future)

b) From private financial institutions, the Company will be borrowing between 40 to 50 percent of the cost of each dwelling purchased.

In addition to funds received from the Company, households on low incomes will receive a rebate from the State Government through the Ministry of Housing, on the same basis as public tenants.

(5) How much Rent does a CERC Member pay?

Rents are worked out on a household basis. There are two main points to keep in mind, when working out how much the rent is.

a) The most rent any co-op household will have to pay up to 30th June 1987 will be somewhere between \$95.00 per week and \$100 per week regardless of what income household members receive or what assets they have. Final maximum rent figures are still to be finalised.

We are committed to the principle that no person should have to pay more than 20 percent of their income on rent.

After 30th June 1987, rents can only be increased once per year by the inflation rate (as measured by percentage increase in the Consumer Price Index).

We think this is a fair rent in that it is based on the actual costs of buying the houses and maintaining them in good condition.

Set out below is a practical example of how this rent works in the first three years of the programme. Assuming the maximum rent that any household has to pay is \$95.00 per week:

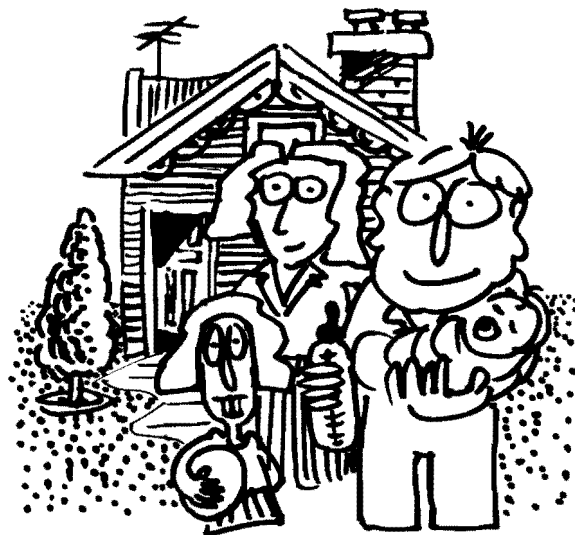
Household Income = \$470.00 per week (gross)
 Rent (first year) = **\$ 95.00 per week**

Assuming an inflation rate of 7 percent,
 Rent (second year) = \$ 95.00 per week
 + 7% of \$95.00
 = **\$101.65 per week**

Maximum rent

Rental rebate



Pay for housing

Assuming an inflation rate of 8 percent,
 Rent (third year) = \$101.65 per week
 + 8% of \$101.65
 = **\$108.76 per week**

b) The second point is that households with members on low income will not have to pay the maximum rent discussed above. They will receive a **rebate** from the Ministry of Housing. This means that co-op members will be guaranteed low rents if they are on a low income.

The Ministry of Housing's rebate formula does change from time to time but set out below are two examples of how it works at the moment:

Example (a), Single parent with two children, trying to live on a pension:

Household Income = \$132.00 per week
 Rent = 20% of \$132.00 per week
 = **\$26.40 per week**

Example (b), Couple with two children, earning a low wage:

Household Income = \$330.00 per week
 Rent = 20% of \$196 + 25% of (\$330-\$196)
 = \$39.20 + \$33.50
 = **\$72.70**

(6) How Does a CERC pay for its housing?

As mentioned earlier, the money to buy the houses and upgrade them to a good standard come from a Government grant (50 to 60 percent of the full cost) and from money raised privately (the remaining 40 to 50 percent).

The only payment that a CERC member has to make is his or her regular rent payment. This rent payment will cover all the costs of running the programme. The main costs are as follows:

- cost of repaying private loans;
- cost of repaying the Government grant back into the programme after private loans have been paid off;
- vacancies and rent arrears (up to a maximum of two weeks per property per year);

- ongoing house maintenance to keep the houses up to a good standard;
- Council rates and Board of Works water rates;
- operation costs of the CERCs (including some allowance for administration, child care, and interpreter services where necessary).

N.B. At this stage the cost of the Resourcing Co-op services to CERCs is being paid for out of Government funds.

Once a co-op household has moved into their home they will pay the cost rent of their accommodation or the Ministry of Housing rebated rent if they are on a low income. See discussion in point number 5 above.

In practice, it makes no difference financially to the CERC whether their members are on a low or high income. The CERC will get the same income from each household. It works like this:

Example (a)

Household Income	=	\$132.00 per week
Rent Charged	=	\$ 26.40 per week
Rebate Subsidy	=	\$ 68.60 per week
Income for CERC	=	\$ 95.00 per week

Example (b)

Household Income	=	\$550.00 per week
Rent Charged	=	\$ 95.00 per week
Rebate Subsidy	=	NIL
Income for CERC	=	\$ 95.00 per week

Each CERC will arrange a system for co-op members to pay their rent into a bank account. The money for paying off the loan(s) will be taken out of this account automatically by the company which owns the properties, and which has to pay off the loan(s). The remaining rent money will be used to cover the other costs of the co-op which have already been discussed above.



Programme managers

Residential Tenancies Act

Security



(7) What are the Rights of a CERC Member?

a) Within a CERC, each co-op member has the democratic right to a say in all decisions of their co-op. This right is guaranteed through the rules of the CERC. A copy of the standard model rules for the programme is available free of charge on request for anybody who wants to look at the detail.

b) A CERC member has the right to participate in all aspects of the programme. The decision of who formally represents their CERC in any activity, is the decision of the CERC as a whole.

- Each funded CERC is a shareholder in the Company which owns the properties. The rights of shareholders is to determine company policy and to elect Directors.

- CERC members have the right to determine the policies of resourcing co-ops. This is guaranteed by having a majority of the resourcing co-op members coming from funded CERCs.

- In the future, CERCs will have the right to set the policies of the whole programme. This will be guaranteed by handing over programme management an association of CERCs. We have partly achieved this goal already, as funded CERCs are represented on the policy making body.

c) As a tenant, each CERC member will have the protections of the Residential Tenancies Act. If the new Residential Tenancies Bill now before Parliament goes through, these rights will be substantially increased.

As security of tenure for co-op members is one of the main principles of the programme, we are making every attempt to protect the security of tenure of a co-op member who leaves the co-op, or in the unlikely event of a CERC winding up.

(8) What are the Responsibilities of a CERC Member?

The main responsibility of a CERC member is to further the aims of their individual co-op and the programme as a whole. This can be looked at in three ways:

a) A CERC member's main responsibilities within their CERC are:

- attend and participate in regular meetings of the co-op;
- contribute to the work of their co-op between meetings (for example, in areas such as house buying, maintenance of houses, administration, keeping financial records);
- work co-operatively with other members of the co-op.

b) As a tenant, a CERC member's main responsibilities are to:

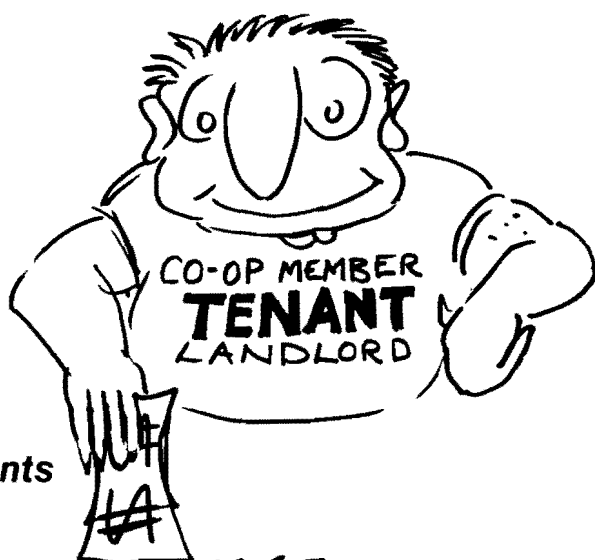
- pay rent at the rate set by the programme (see earlier);
- if receiving a rebated rent, advise your co-op of any change in household income;
- notify the co-op of any maintenance work that needs to be done;
- allow for maintenance repairs and maintenance checks to be done on your dwelling in accordance with the rules of your co-op.

c) As a landlord, a CERC member's main responsibilities are to:

- collect rents and follow-up any arrears of rent;
- budget for all loan repayments, house maintenance and all other costs of your co-op;
- keep proper financial records of all financial transactions;
- make sure that all houses are maintained in good condition;
- select new tenants for vacant dwellings;
- undertake all other responsibilities outlined in the headlease agreement between each individual CERC and the Company;
- be aware of landlords' responsibilities under the Residential Tenancies Act, and observe all the conditions laid down under the Act, and contained in the tenancy agreement between the CERC and each of its tenants.



Participation



Rents

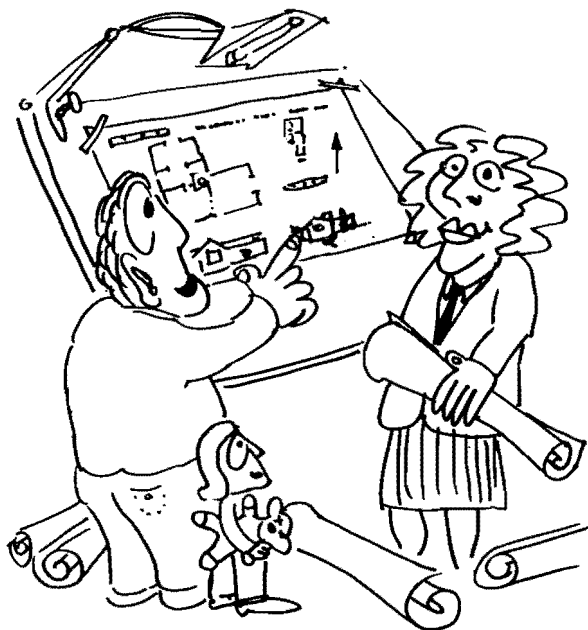


Landlord

Programme

Resourcing co-ops

Management



d) Within the CERC programme as a whole, the main responsibilities are to:

- have a representative on the resourcing co-operative used by the co-op, and to attend their meetings;
- have a representative on the programme's policy making/management body, and to attend their meetings;
- be a shareholder in the Company, and to attend annual meetings and any special meetings that are called. There will also be some directors of the Company who will be CERC members.

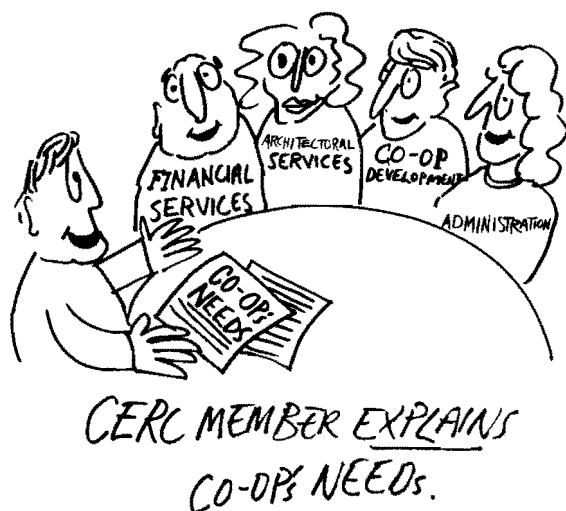
(9) What are Resourcing Co-ops and How do they work?

Resourcing co-ops are a way by which CERCs can have good access to professional services, and, at the same time can control those services, through a co-operative structure.

Resourcing co-ops are made up of representatives of funded CERCs, employed staff and other interested persons. CERC members must make up the majority of members, and therefore control the policies of the resourcing co-op.

It is expected that staff positions will cover the following areas:

- **Architectural Services**
These include buying houses, listing and costing renovation works, sketches of alterations, building permit applications, and advice on house maintenance.
- **Financial Services**
These include setting up bookkeeping systems for co-ops, budget planning advice, and rent collection systems.
- **Co-operative Development and Education**
These include advice on incorporation and legal matters, tenant and landlord rights and responsibilities, decision making within the co-op, meeting procedures.
- **Administration of the resourcing co-op.**



CERCs will have the choice of using a resourcing co-op for these services or using outside contractors. When they use a resourcing co-op they will make a contract with the resourcing co-op for a set period of time which will spell out what services they want, and under what conditions they will be provided.

So far one resourcing co-op has been funded: the Central Region Housing Resource Co-operative. It employs four staff and has to cover the whole State of Victoria. As the programme expands, it is expected that the number of resourcing co-ops will increase, and that they will be organised on a regional basis.

CRHRC can be contacted on 347 0951 (Housing Development), 347 0919 (Architect), 347 4108 (Finance Co-ordinator) or 347 0961 (Administration). They are located at 207 Cardigan Street, Carlton.

Funding existing co-ops

Funding more co-ops

CERC membership

10. Have any CERCs been funded yet?

Three CERCs have been funded so far for a total of 21 houses, and it is expected that another two CERCs will be funded in the next few months for an additional 15 houses.

11. When will more CERCs be funded?

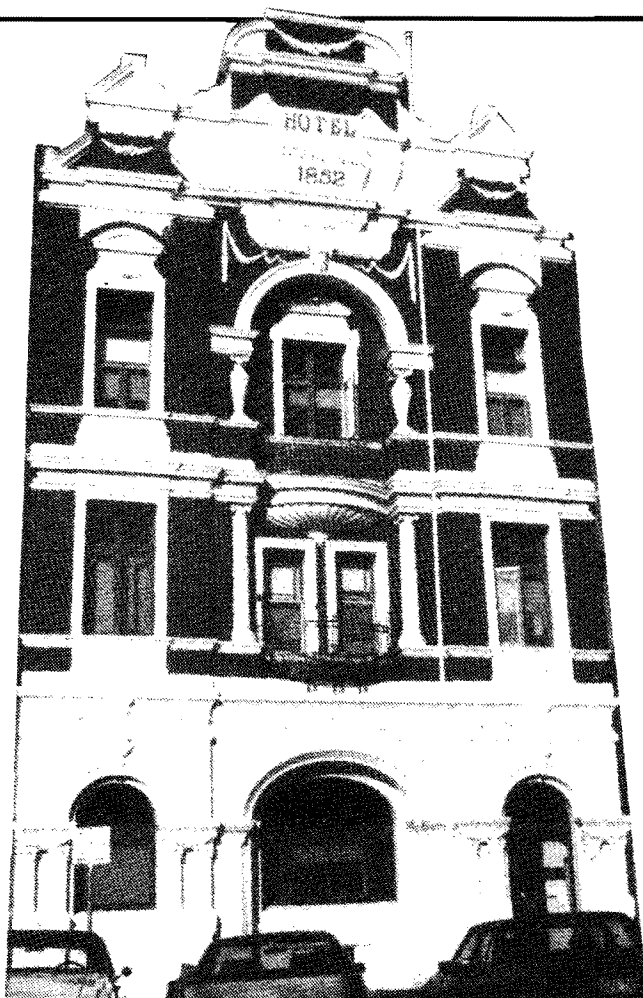
At this stage it looks like it will be possible to have another funding round in the second half of 1986.

Now that the Company has been set up, we are confident that it will be able to raise large amounts of money for the programme and that we will be able to fund more CERCs on a regular basis as the programme rapidly expands.

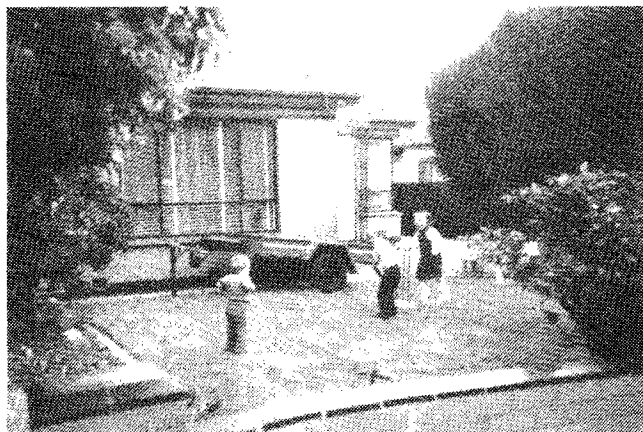
12. How does somebody become a CERC member?

There are two main ways:

- An individual can find other interested persons and form their own co-op group.
- Some CERC groups may, from time to time, be looking for new members.



Rooming house.



Family housing.

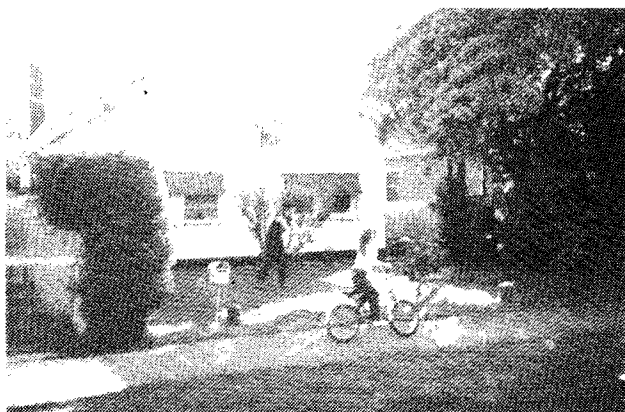


Family housing.

Rental Housing Co-op Dwellings

Some of the more than 350 dwellings managed by rental housing co-operatives in a programme which has been funded by the Ministry of Housing.

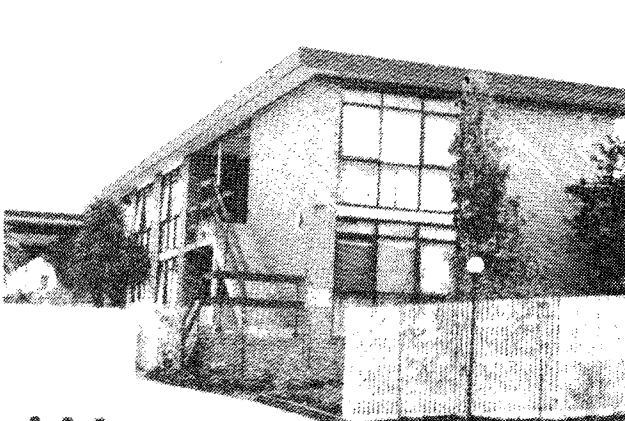
It is this programme which has provided the impetus to establish CERCs.



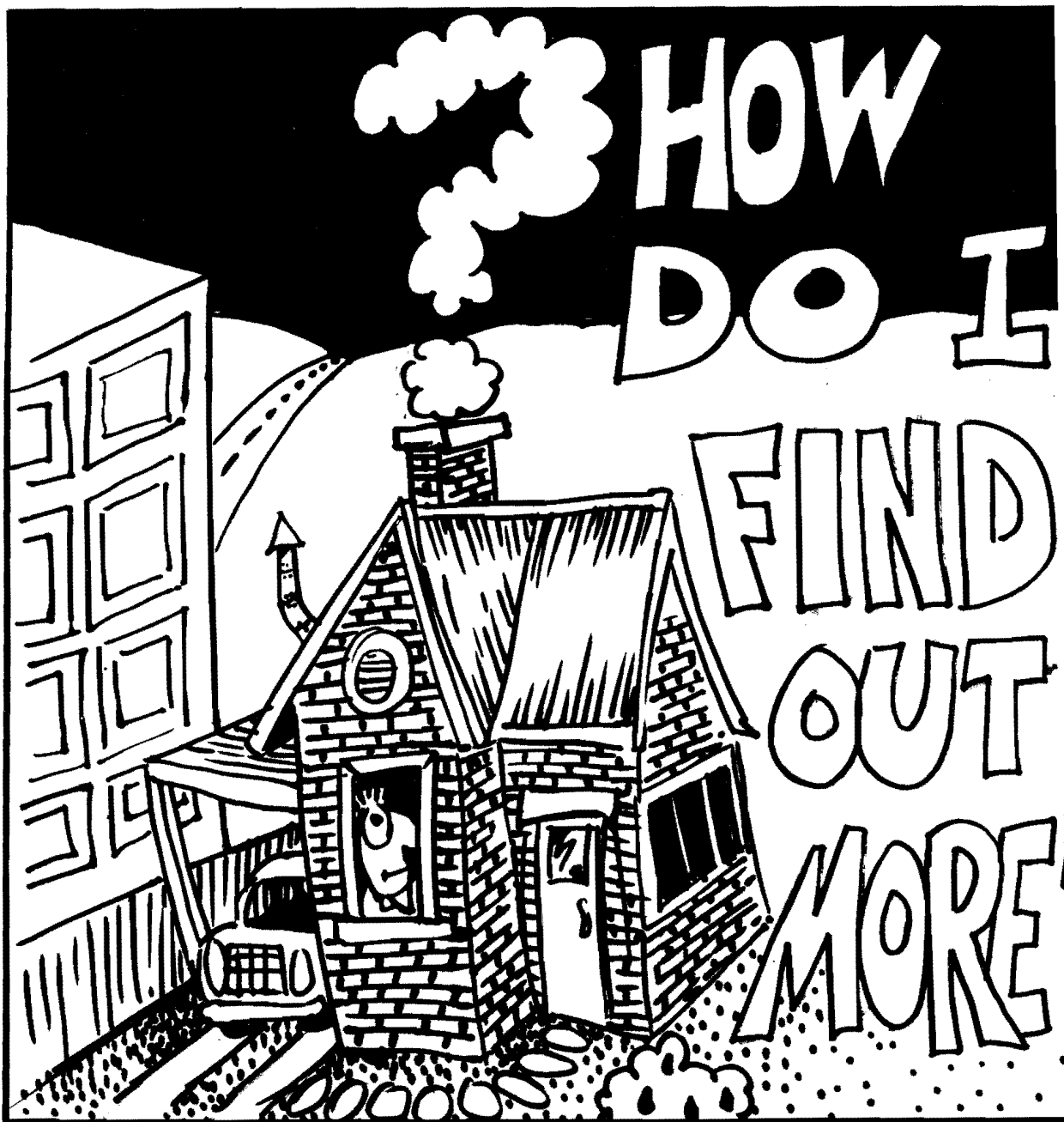
Family housing.



Family housing.



Flats for single people.



13. How do I find out more?

- Ring us on 347 6367, or 347 6667.
- Come and see us at 207 Cardigan Street, Carlton, in Melbourne.
- Receive our regular newsletter "Co-op Chat" which will keep you up to date on what is on, when we are calling for submissions, etc.
- If you're in a group who is interested in knowing more, invite us out to talk to you.
- Read our publications
 - pamphlet (available in eight languages) (June 1985)
 - short-term options for financing CERCs (August 1985)
 - summary of short-term options for financing CERCs (August 1985)
 - programme guidelines for CERCs, including standard tenancy agreement, head agreement and housing standards (March 1986)
 - model rules for CERCs (February 1986)